

Congressman Joe Baca
Opening Statement
Subcommittee on Financial Institutions and Consumer Credit
A hearing on "H.R. 3997, Financial Data Protection Act of 2005"
November 9, 2005

Thank you, Mr. Chairman. I would also like to thank the witnesses for being here today.

In 2005 there have been at least 118 disclosed incidents of data security breaches, potentially affecting nearly 57 million individuals.

These breaches have weakened consumer confidence as recent surveys show. A CBS News/ New York Times Poll in September indicated that nearly nine in ten Americans are concerned about the theft of their personal and financial information. As a result, according to a survey by Consumers Union, twenty five percent of Internet users have stopped making purchases online. Of those who do shop online, twenty nine percent have cut back because of concerns about identity theft.

The American people have a right to be protected against identity theft. While the bill before this committee recognizes the need for stronger consumer safeguards, I am very concerned that it preempts strong state laws that have been effectively working to address this problem.

When Congress passed the Gramm-Leach-Bliley Act in 1999, it specifically invited the states to enact stronger financial privacy protections than those contained in the federal law. To date, my state of California has paved the way in pioneering the most effective data security solutions.

In fact, California enacted the first security breach notification law in the nation in 2003. Since then, at least 21 additional states have enacted similar statutes. California was also among the first – if not the first – to require individual consent before sharing financial information with third parties and to allow people to freeze their credit. Several states have also followed suit.

We need a strong national standard that protects personal information and notifies consumers when their data is breached by unauthorized users. By preempting state laws that are providing stronger safeguards, this bill effectively ignores the important lessons we've learned. Federal law should build upon these lessons and not weaken strong state standards for the sake of uniformity.

HR 3997 sends a message to the American people that their demands for stronger privacy protections have fallen on deaf ears. It gives consumers very little control over how their personal information is used by financial institutions and leaves consumers vulnerable to identity theft, aggressive marketing practices and fraud. Our constituents deserve better, and I hope that members on this committee agree to work in a bipartisan manner to address these concerns.

Thank you, Mr. Chairman.